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1 October 1957

MEMORANDUM FOR: Mr. Frederick T. Merrill
Director, East West Contacts Staff
Department of State

SUBJECT: Views of IAC Ad Hoc Committee on Exchanges relative to the
25X1X1 [REDACTED] Soviet Proposal for
Long-Term (3-6 Months) Exchanges in Stated Fields

Introduction

1. This memorandum considers whether the Soviet proposal would lead to

[REDACTED] 25X1X1
These terms are used in the sense defined in the original IAC-D-103 of
February 1956, and employed in our papers to you since that time. As in the

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[REDACTED]

2. This paper examines, first, the general effect of the proposed long-term exchange basis, as compared with the shorter term exchanges (generally 4-6 weeks in duration) that have previously been conducted and considered. Next, the paper takes up the specific fields suggested by the Soviets, with brief evaluations of each. Lastly, the paper takes up in greater detail a selection of fields -- three named in the Soviet list, four not so named -- which, in our judgment, would produce net intelligence gain, to the greatest degree, to the US if undertaken on the long-term basis.

I. General Discussion

3. The effect of a long-term, as opposed to a short-term, exchange basis varies enormously from case to case, so that generalization is loose at best. In the majority of cases, our evaluation indicates that the long-term basis would not tend [REDACTED] however, there are conspicuous exceptions, such as railroads discussed in Section III, where US

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to have personal relationships with US technicians and scientists. It has been our assessment, in most past cases, that the US literature -- widely translated and read in the USSR -- has given the Soviets a good external picture of how US industry works and of many of our key processes and developments. It is in the application of these processes, and particularly the "know-how" element, that the Soviets are far less clear. There have been indications, moreover, that the exchanges conducted so far have been unsatisfactory to them in this respect, at least in some cases. Hence, this may well be a major element in their present proposal, that they hope to make a great increase in their technological gain. (Their hopes and our assessments may not, of course, agree in individual cases.)

5. Balancing these factors we conclude that regarding [REDACTED] to the US:

a. As a very general rule, the Soviet gains would be likely to increase more than US gains, on the long-term, as opposed to the short-term basis.

b. In many individual fields, however, [REDACTED] advantage to the US would continue to exist, either because the gains balance out, or balance in the US favor, or because any change in Soviet favor arising from the long-term basis is not sufficient to cancel out the previous conclusion.

Hence [REDACTED] acceptance of the Soviet proposal as a universal basis for exchanges would clearly be undesirable. At the same time, acceptance -- or US initiative -- in selected fields could have net [REDACTED] advantage, so that the [REDACTED] does not argue for wholesale rejection of the Soviet proposal, but rather for selective acceptance, perhaps using favorable fields for trial while maintaining the short-term basis for most cases.

5A. As to the desirable length of visits on the long-term basis, our preliminary analysis indicates that in the great majority of fields a period of three months should be regarded as a maximum from [REDACTED] standpoint. In a very few cases (e.g., the electrical industry and educational-type proposals) periods in excess of three months might be profitable.

5B. From the statement of the Soviet proposal, it is uncertain whether they visualize that the whole period would be spent at a single plant or installation, or whether they visualize a series of shorter visits. From the standpoint [REDACTED] we believe the latter would be preferable in almost all cases; it would maximize [REDACTED] gain, while not permitting the Soviets the very extended stays that would permit them to gain most technologically.

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6. In its look at the various possible fields, the Committee has given much attention to the problem of enlisting the support of US industry for visits on the long-term basis. We believe that in a number of fields it will be exceedingly difficult to get US industry to spare for 3-6 month periods men who would be best qualified as observers. This affects our

estimates and also opens the possibility of embarrassment to the Department through use of unqualified or incomplete delegations. Hence, manpower considerations also argue for a highly selective acceptance of the long-term basis. (A related point is the willingness of US industry to accept long-term visits by the Soviets. This, too, may present difficulties, but we think generally less acute.)

II. Fields Proposed by the Soviets

7. The Soviet listing of fields is obviously loose and would require sharpening in any event. In some cases, such as "chemicals", the designation is clearly too broad for a single project and must be considered by compartments. In defining the fields for purposes of this evaluation, we have made what we think is a reasonable guess of what they may have in mind, and gone on from there.

8. Considering the Soviet list of the fields, we conclude that:

a. Long-term exchanges could (often under defined conditions only) produce net advantage to the US in the following fields:

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Oil
Some chemicals
Radio engineering
Electrical (including electric power)

b. Long-term exchanges would probably produce net disadvantage to the US in the following fields:

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Mining
Metallurgical
Some chemicals
Farm Machinery

c. The balance is slight in either direction in the following fields:

Coal
Building Construction
Machine tools
Automobiles

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d. Instrument construction and means of automation are such complex subjects that further analysis will be necessary before determination can be made.

III. Fields for Possible US Acceptance Or Initiative

9. For this section, we have selected for detailed analysis three fields from the Soviet list, and have added four projects not on the Soviet list. We believe, that to the degree and in the manner indicated below, each of these projects would produce net [REDACTED] advantage to the US to the greatest extent. Among the fields discussed in this section we have not attempted a precise priority listing; however, we consider that the petroleum project should be considered at the top. Annex A contains details on the remaining subjects on the Soviet list. 25X1X1

10. The priority suggestions are:

OIL (Soviet list) - In this case an industry panel was consulted. The suggestion is that the limit be two months for the initial exchange. On this basis we consider it to be a substantial net US advantage proposition. Here in particular it could be said that after the two industries become acquainted they may find areas of interest justifying longer visits. The 23 August 1957 memorandum to you from the Committee Secretary outlined sponsorship negotiation considerations. The industrial panel reaffirmed those suggestions and added the suggestion that the full details of the proposal should be given in the initial letter of the American Petroleum Institute. These details can be supplied in short order if necessary.

RAILROAD TRANSPORTATION AND EQUIPMENT (US initiative) - The Committee put forward a proposal on 1 June 1956 outlining an exchange in this field. That proposal pointed out the many areas of possible [REDACTED] gain stemming from the importance of railroads to the transportation system of the US and the fact that experienced railroad observers have not visited the USSR since the 1930's. The Committee feels that the original proposal could be expanded to cover a three months' period with substantial [REDACTED] gain to the US in both the operating and equipment fields. (It is worth noting that although the Soviets covered most of US industry in their proposal, no element of transportation was included). Details on itinerary and delegation composition suggestions can be worked out in a hurry if necessary. A 23 August 1957 memorandum to you from the Secretary of this Committee outlined the history of negotiations with the suggested sponsor, the Association of American Railroads. We feel that the suggestion, that an approach to the top level of that organization would be well received, is still valid as a necessary preliminary to advanced planning in the Railroad Exchange. Our technical consultants will be available for substantive support. 25X1X1 25X1X1

RADIO ENGINEERING AND ELECTRICAL (INCLUDING ELECTRIC POWER) (Soviet list) - We have construed the Soviet category "electrical" to include both electrical equipment manufacturing and electric power. In order to fit the US breakdown we have combined the manufacturing end with radio-engineering and treated electric power separately; hence we suggest two exchanges, radio-electronics and electric power. In this case, again with strong urging to

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plan carefully and supervise closely, it is believed that a large US net advantage can be obtained. Short term proposals in telecommunications, electronics and electric power have been forwarded and can be expanded. In this case the US industry has more experience than any other and has indicated a willingness to cooperate further. Prominent men and companies seem willing and anxious to cooperate because of a feeling that they have something to learn. The specialists suggest that, while the radio-electrical industries may show profits from a six month exchange, electric power be limited to three months.

25X1X1 HIGHWAY ENGINEERING-(US Initiative) - This is another transportation field previously suggested for a short term exchange which can be profitably expanded. Cold weather operations are a Soviet specialty and are of prime interest to the US. The opportunity to take more time to cover the territory adds value. It is urged that for staffing reasons and out of respect for weather conditions, the limit be set at three summer months.

SHIPBUILDING-(US initiative) - The previous Shipbuilding Exchange proposal was in two parts -- Theoretical and Practical. The Committee feels that the Practical Shipbuilding Exchange advantage to the US is enhanced by a longer time period. On the other hand we would like to withdraw the Theoretical Shipbuilding Exchange Proposal submitted on 17 June 1956 which subsequent developments have rendered obsolete.

CIVIL AVIATION-(US initiative) - This transportation field can also be worked out to the net advantage of the US for the long term. Perhaps the most important part would be the inspection of facilities and operations. Additional time for the necessary inspection and talks would be beneficial. The gain to the Soviets, if held to a carefully worked out itinerary, would not be commensurate.

11. The Committee also considered the possibility of a long-term exchange in the field of economics including banking and planning. Our staff review of these is not complete but in the course of this consideration the specialists involved developed the idea that the most fruitful activity from a long-term advantage point of view would be an exchange of students and faculty between Soviet and US academic institutions and private research organizations in the field of economics. It is estimated that this would establish a professional rapport which would pay off by increasing our understanding of vital Soviet economic concepts, measurements, and policy directions. It is strongly urged that in your negotiations of student exchanges this proposal be given high consideration.

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ANNEX A

Other fields suggested by the Soviets were considered by the Committee and assigned as either US advantage, USSR advantage or a balanced situation.

1. US Advantage

Chemical - This category covers many different industries covering the full range of sensitivity and even in those cases where a net advantage is possible, careful attention must be given to the details of the visits. In the fields of nitrogen compounds, fluorine compounds, electrothermal and electrolytic chemical industries, a net gain is probable. Conversely in fields such as petrochemicals, synthetic fibres and much of plastics, the Soviet technological gain would outweigh the US gain. In any case nothing longer than three months should be considered.

2. USSR Advantage

Mining and Metallurgical - The specialists believe that on the basis of present knowledge the increase in Soviet technological gain involved in a long-term exchange over a short-term one will throw the net advantage to the Soviets. They suggest that a reassessment of the long-term situation be made with industry assistance after the short-term visits presently projected are carried out.

Heavy Machinery and Farm Machinery - In contrast to the situation in the automobile industry, the Soviets could utilize the technological gain from a long-term exchange so readily that the US would be at a net disadvantage here.

3. Balanced

Coal - In this case if full USSR industry data were made available to the US team, the visit would at best be neutral.

Automobile - Because of the fact that the Soviets are many years away from the high volume production necessary to maintain the technological processes, they could not take maximum technical advantage of the long-term opportunity. The US gain increase would also be slight so the case is a standoff.

Machine Tool - While the chance for worthwhile US intelligence gain is excellent, the Soviet technological gain situation looks bad on a long-term basis and this is a balance.

Building Construction - The gains seem to be balanced in this case also. The USSR technological gains in heavy industry and housing construction would balance the US intelligence gains. There are other construction fields such as communications and hydro that would be of more value to the US.

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